

VILLAGE OF JONESVILLE

AUDIT REPORT

JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Village of Jonesville</u>	County <u>Hillsdale</u>
Audit Date <u>6-30-04</u>	Opinion Date <u>11-19-04</u>	Date Accountant Report Submitted to State: <u>12-2-04</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) <u>Bailey, Hodsture + Company, P.C.</u>			
Street Address <u>479 E Chicago St PO Box 215</u>		City <u>Jonesville</u>	State <u>MI</u>
Accountant Signature <u>Gregory J. Bailey</u>		ZIP <u>49250</u>	Date <u>12-2-04</u>

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Jonesville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of Village of Jonesville's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

Village Council
Village of Jonesville

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 33 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Jonesville basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.
Jonesville, Michigan
November 19, 2004

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

Introduction

The Village of Jonesville (Village) is implementing GASB 34 requirements in this year's audit. GASB 34 was adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June, 1999.

This section of the annual financial report presents management's discussion and analysis of the Village's financial performance during the year ended June 30, 2004. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities by \$5,220,465 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$4,668,185, showing an increase of \$552,280 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,590,283, of which \$1,530,032 is unreserved and undesignated and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,367,362, showing a \$222,921 increase during the current year.
- At the end of the current year, unreserved fund balance for the General Fund was \$861,624, or 85% of total General Fund expenditures. This is an increase of \$28,299 over last year's ending fund balance.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to that found in private sector business.

Statement of Net Assets - This statements presents information of all of the Village's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Village's financial position as a whole is improving or deteriorating.

Statement of Activities - This reports how the Village's net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the taxpayers.

Both of the above statements distinguish governmental activities from business-type activities. Governmental activities include general government, public safety, public services, zoning, and recreation, and are principally supported by property taxes and revenues from other governments. Business-type activities include water and sewer, and are intended to recover all or a significant portion of their costs through user fees and charges.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, these statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included as required supplementary information for the general fund and major special revenue funds. These statements and schedules demonstrate compliance with the Village's adopted and final revised budget.

Proprietary Funds generally report services for which the Village charges customers a fee. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report functions presented as business-type activities, while Internal Service Funds primarily service the governmental unit and are included with governmental activities. The Water and Sewer Funds are Enterprise Funds, and the Motor Vehicle Pool is an Internal Service Fund.

Fiduciary Funds such as the imprest payroll fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Village Programs.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information can be found immediately following the notes to the financial statements. This information includes statements for non-major governmental funds.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

Government-wide Financial Analysis

In accordance with GASB Statement No. 34, for first-time implementers, the Village is not required to restate prior period for the purpose of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$5,220,465 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$4,668,185, showing an increase of \$552,280 over the prior year. The following table provides a summary of the Village's net assets as of June 30, 2004:

NET ASSETS

	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Current Assets	\$ 2,176,025	\$ 1,165,992	\$ 3,342,017
Noncurrent Assets	<u>773,793</u>	<u>7,039,450</u>	<u>7,813,243</u>
Total Assets	<u>\$ 2,949,818</u>	<u>\$ 8,205,442</u>	<u>\$11,155,260</u>
Liabilities			
Current Liabilities	\$ 164,110	\$ 497,703	\$ 661,813
Noncurrent Liabilities	<u>826,430</u>	<u>4,446,552</u>	<u>5,272,982</u>
Total Liabilities	<u>\$ 990,540</u>	<u>\$ 4,944,255</u>	<u>\$ 5,934,795</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ (11,207)	\$ 2,549,490	\$ 2,538,283
Restricted	60,251	137,429	197,680
Unrestricted	<u>1,910,234</u>	<u>574,268</u>	<u>2,484,502</u>
Total Net Assets	<u>\$ 1,959,278</u>	<u>\$ 3,261,187</u>	<u>\$ 5,220,465</u>
Total Liabilities and Net Assets	<u>\$ 2,949,818</u>	<u>\$ 8,205,442</u>	<u>\$11,155,260</u>

The Village reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$340,308 for governmental activities and \$211,972 for business-type activities; therefore, the Village's overall financial position improved during fiscal year 2004.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

The following table reflects the change in net assets of the Village's governmental and business-type activities for the year ended June 30, 2004:

CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total Primary Government
Program Revenue			
Charges for Services	\$ 47,378	\$ 903,785	\$ 951,163
Operating Grants and Contributions	215,794	0	215,794
Capital Grants and Contributions	5,421	0	5,421
General Revenue			
Property Taxes	689,567	0	689,567
State Shared Revenue	241,679	0	241,679
Payments from Component Units	136,565	61,905	198,470
Other	<u>195,474</u>	<u>11,575</u>	<u>207,049</u>
Total Revenue	<u>\$ 1,531,878</u>	<u>\$ 977,265</u>	<u>\$ 2,509,143</u>
Expenses			
General Government	\$ 452,661	\$ 0	\$ 452,661
Public Safety	311,705	0	311,705
Public Improvements	34,321	0	34,321
Streets, Highways, Drains	206,615	0	206,615
Sanitation	9,334	0	9,334
Culture & Recreation	60,812	0	60,812
Interest on Long-Term Debt	40,823	0	40,823
Depreciation	75,299	0	75,299
Water Utility	0	336,302	336,302
Sewer Utility	<u>0</u>	<u>428,991</u>	<u>428,991</u>
Total Expenses	<u>\$ 1,191,570</u>	<u>\$ 765,293</u>	<u>\$ 1,956,863</u>
INCREASE IN NET ASSETS	<u>\$ 340,308</u>	<u>\$ 211,972</u>	<u>\$ 552,280</u>

Governmental Activities increased the Village's net assets by \$340,308, which accounts for 62% of the total increase in net assets.

Revenues from governmental activities totaled \$1,531,878. Property tax revenue represented the largest portion of those revenues (45%), and state shared revenue represented 16% of the total.

The largest components of governmental activities' expenses were general government (38%), public safety (26%), and streets, highways, and drains (17%). General government consists of Village Council, Administration, Zoning, Planning, Motor Vehicle Pool, etc. Public safety includes police and fire.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

Business-type Activities increased the Village's net assets by \$211,972, or 38% of the total increase in net assets. Revenues from the water and sewer rate increase, which was implemented in July, 2003, contributed to this increase. These net assets will be used to repay the debt on the sewer plant improvements, as well as planning for future improvements in the water and sewer systems.

Governmental Funds - The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2004, the Village's governmental funds reported combined ending fund balances of \$1,590,283. Of this total, approximately 96% was unreserved, indicating availability for continuing Village service requirements. Although a substantial amount is unreserved, a portion of the fund balances has been designated for subsequent year's projects, such as the development of Adrian Street, and other projects such as website development and wireless Internet. Reserved fund balance represents the amount designated to repay debt through the Debt Service Fund.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a very healthy fund balance of \$861,624. The other Major Governmental Funds include Major Streets and Local Streets. Non-major governmental funds included the Debt Service and State Highway funds. Of these funds, only Major Streets showed a decrease in fund balance (\$2,025) for the current fiscal year. This was due to the engineering costs for the reconstruction of Adrian Street.

Proprietary Funds - The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Village's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net assets of the Water and Sewer Funds were \$3,261,187 at June 30, 2004, an improvement of \$211,972 over the previous fiscal year. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$706,684, an improvement of \$57,129 over the previous fiscal year.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for the General Fund revenues was minor, with the original budget being \$1,007,610, and the final budget being \$1,036,610. The difference between the two numbers was DNR grant revenue of \$29,000, which was not originally budgeted. The difference between the appropriations originally budgeted and the final appropriations budget was \$77,013 (\$1,076,603 vs. \$999,590). General government expenditures were increased by \$4,650; public safety was increased by \$26,350; public improvements increased by \$6,375; culture and recreation was increased by \$29,500 (due to Wright Street Park improvements); fringe benefits was increased by \$8,138 (due to unemployment benefits paid); insurance was increased by \$500 (property/liability/workers comp); and promotions was increased by \$1,500.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2004

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Totals</u>
Land	\$ 17,689	\$ 2,061	\$ 19,750
Land Improvements	44,260	0	44,260
Buildings and Improvements	555,819	0	555,819
Facilities & Mains	0	5,708,328	5,708,328
Construction in Progress	0	3,458,464	3,458,464
Furniture and Equipment	283,996	1,347,503	1,631,499
Vehicles	734,141	0	734,141
Less: Accumulated Depreciation	<u>(862,112)</u>	<u>(3,476,906)</u>	<u>(4,339,018)</u>
Total Capital Assets, net of depreciation	<u>\$ 773,793</u>	<u>\$ 7,039,450</u>	<u>\$ 7,813,243</u>

At June 30, 2004, the Village had \$5,286,000 in bonds and contracts outstanding, as shown below:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Totals</u>
General Obligation Bonds	\$ 785,000	\$ 0	\$ 785,000
Revenue Bonds	0	3,281,000	3,281,000
County Contract	<u>0</u>	<u>1,220,000</u>	<u>1,220,000</u>
Total Long-Term Debt	<u>\$ 785,000</u>	<u>\$ 4,501,000</u>	<u>\$ 5,286,000</u>

Factors Bearing on the Village's Future

As homes continue to change hands in Jonesville, taxable values will continue to rise, increasing property tax revenues. There was no change in property tax millages for fiscal year 2004-05.

The Village Council approved a Water Rate increase of 3%, effective September 1, 2004, to assist in improving the Water Main System, and meeting other financial obligations.

The national economic downturn and market performance continue to be a concern for Village management. We continue to depend on state revenue sharing and investment income as major funding sources for the Village. As the state cuts our revenue, we will continue to strive to cut expenditures, and make our jobs as efficient as possible.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village of Jonesville's finances. Questions or comments concerning any of the information provided in this report should be addressed to Lenore Spahr, Finance Director, Village of Jonesville, 265 E. Chicago Street, Jonesville, Michigan 49250.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 204,405	\$ 347,175	\$ 551,580	\$ 6,388
Investments	1,819,849	804,876	2,624,725	506,747
Accounts Receivable	15,375	5,421	20,796	612
Taxes Receivable	0	0	0	147,595
Due from Other Governmental Units	119,897	0	119,897	0
Inventory	0	4,732	4,732	0
Prepaid Expense	16,499	3,788	20,287	23
Total Current Assets	<u>\$ 2,176,025</u>	<u>\$ 1,165,992</u>	<u>\$ 3,342,017</u>	<u>\$ 661,365</u>
Noncurrent Assets				
Capital Assets				
Land	\$ 17,689	\$ 2,061	\$ 19,750	\$ 107,200
Land Improvements	44,260	0	44,260	0
Buildings & Improvements	555,819	0	555,819	0
Facilities & Mains	0	5,708,328	5,708,328	0
Construction in Progress	0	3,458,464	3,458,464	0
Furniture & Equipment	283,996	1,347,503	1,631,499	0
Vehicles	734,141	0	734,141	0
Less: Accumulated Depreciation	<u>(862,112)</u>	<u>(3,476,906)</u>	<u>(4,339,018)</u>	<u>0</u>
Total Noncurrent Assets	<u>\$ 773,793</u>	<u>\$ 7,039,450</u>	<u>\$ 7,813,243</u>	<u>\$ 107,200</u>
Total Assets	<u>\$ 2,949,818</u>	<u>\$ 8,205,442</u>	<u>\$ 11,155,260</u>	<u>\$ 768,565</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 80,659	\$ 396,424	\$ 477,083	\$ 35,441
Salaries Payable	11,938	5,401	17,339	0
Customer Deposits	0	1,200	1,200	0
Interest Payable	6,513	24,678	31,191	0
Current Portion of Long-Term Debt	65,000	70,000	135,000	0
Total Current Liabilities	<u>\$ 164,110</u>	<u>\$ 497,703</u>	<u>\$ 661,813</u>	<u>\$ 35,441</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 720,000	\$ 4,431,000	\$ 5,151,000	\$ 0
Less: Bond Discount	0	(11,040)	(11,040)	0
Compensated Absences	106,430	26,592	133,022	0
Total Noncurrent Liabilities	<u>\$ 826,430</u>	<u>\$ 4,446,552</u>	<u>\$ 5,272,982</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 990,540</u>	<u>\$ 4,944,255</u>	<u>\$ 5,934,795</u>	<u>\$ 35,441</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ (11,207)	\$ 2,549,490	\$ 2,538,283	\$ 107,200
Restricted for:				
Replacement	0	37,561	37,561	0
Debt Service	60,251	99,868	160,119	0
Unrestricted	<u>1,910,234</u>	<u>574,268</u>	<u>2,484,502</u>	<u>625,924</u>
Total Net Assets	<u>\$ 1,959,278</u>	<u>\$ 3,261,187</u>	<u>\$ 5,220,465</u>	<u>\$ 733,124</u>
Total Liabilities and Net Assets	<u>\$ 2,949,818</u>	<u>\$ 8,205,442</u>	<u>\$ 11,155,260</u>	<u>\$ 768,565</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 452,661	\$ 14,720	\$ 0	\$ 0	\$ (437,941)
Public Safety	311,705	32,658	0	0	(279,047)
Public Improvements	34,321	0	0	0	(34,321)
Streets, Highways, and Drains	206,615	0	215,794	0	9,179
Sanitation	9,334	0	0	0	(9,334)
Culture and Recreation	60,812	0	0	5,421	(55,391)
Interest on Long-Term Debt	40,823	0	0	0	(40,823)
Depreciation - Unallocated	75,299	0	0	0	(75,299)
Total Governmental Activities	<u>\$ 1,191,570</u>	<u>\$ 47,378</u>	<u>\$ 215,794</u>	<u>\$ 5,421</u>	<u>\$ (922,977)</u>
Business-type Activities:					
Water	\$ 336,302	\$ 302,728	\$ 0	\$ 0	\$ (33,574)
Sewer	428,991	601,057	0	0	172,066
Total Business-type Activities	<u>\$ 765,293</u>	<u>\$ 903,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 138,492</u>
Total Primary Government	<u>\$ 1,956,863</u>	<u>\$ 951,163</u>	<u>\$ 215,794</u>	<u>\$ 5,421</u>	<u>\$ (784,485)</u>
Component Units:					
Downtown Development Authority	\$ 106,455	\$ 0	\$ 0	\$ 0	\$ (106,455)
Local Development Finance Authority	181,624	0	0	0	(181,624)
Total Component Units	<u>\$ 288,079</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (288,079)</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Change in Net Assets:				
Net (Expense) Revenue	<u>\$ (922,977)</u>	<u>\$ 138,492</u>	<u>\$ (784,485)</u>	<u>\$ (288,079)</u>
General Revenue:				
Property Taxes Levied for General Purposes	\$ 492,695	\$ 0	\$ 492,695	\$ 0
Property Taxes Levied for Local Streets	196,872	0	196,872	0
Property Taxes Captured	0	0	0	482,843
State Shared Revenue	241,679	0	241,679	0
Unrestricted Investment Income	16,089	6,154	22,243	2,309
Payments from Component Units	136,565	61,905	198,470	0
Miscellaneous	179,385	5,421	184,806	6,025
Total General Revenue	<u>\$ 1,263,285</u>	<u>\$ 73,480</u>	<u>\$ 1,336,765</u>	<u>\$ 491,177</u>
Change in Net Assets	<u>\$ 340,308</u>	<u>\$ 211,972</u>	<u>\$ 552,280</u>	<u>\$ 203,098</u>
Net Assets - Beginning	<u>1,618,970</u>	<u>3,049,215</u>	<u>4,668,185</u>	<u>530,026</u>
Net Assets - Ending	<u>\$ 1,959,278</u>	<u>\$ 3,261,187</u>	<u>\$ 5,220,465</u>	<u>\$ 733,124</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 57,821	\$ 11,215	\$ 46,010	\$ 29,309	\$ 144,355
Investments	751,289	83,201	527,939	31,493	1,393,922
Accounts Receivable	808	0	0	5	813
Due from Other Funds	18,711	0	0	0	18,711
Due from Other Governmental Units	81,908	23,724	7,563	6,702	119,897
Prepaid Expense	<u>15,857</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,857</u>
Total Assets	<u><u>\$ 926,394</u></u>	<u><u>\$ 118,140</u></u>	<u><u>\$ 581,512</u></u>	<u><u>\$ 67,509</u></u>	<u><u>\$ 1,693,555</u></u>
LIABILITIES					
Accounts Payable	\$ 52,104	\$ 7,894	\$ 19,006	\$ 929	\$ 79,933
Due to Other Funds	1,666	1,799	4,161	3,919	11,545
Salaries Payable	<u>11,000</u>	<u>367</u>	<u>427</u>	<u>0</u>	<u>11,794</u>
Total Liabilities	<u><u>\$ 64,770</u></u>	<u><u>\$ 10,060</u></u>	<u><u>\$ 23,594</u></u>	<u><u>\$ 4,848</u></u>	<u><u>\$ 103,272</u></u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	\$ 861,624	\$ 0	\$ 0	\$ 0	\$ 861,624
Special Revenue Funds	0	108,080	557,918	2,410	668,408
Reserved, reported in:					
Debt Retirement Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,251</u>	<u>60,251</u>
Total Fund Balances	<u><u>\$ 861,624</u></u>	<u><u>\$ 108,080</u></u>	<u><u>\$ 557,918</u></u>	<u><u>\$ 62,661</u></u>	<u><u>\$ 1,590,283</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 926,394</u></u>	<u><u>\$ 118,140</u></u>	<u><u>\$ 581,512</u></u>	<u><u>\$ 67,509</u></u>	<u><u>\$ 1,693,555</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund Balances - total governmental funds	\$ 1,590,283
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	1,635,905
Deduct: Accumulated depreciation	(862,112)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	
Add: Internal Service Fund assets	495,570
Deduct: Internal Service Fund liabilities	(2,425)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: Bonds and notes payable	(785,000)
Deduct: Accrued interest on bonds and notes payable	(6,513)
Deduct: Compensated absences	<u>(106,430)</u>
Net assets of governmental activities	<u>\$ 1,959,278</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 492,695	\$ 0	\$ 196,872	\$ 0	\$ 689,567
Licenses and Permits	2,545	0	0	0	2,545
State Shared Revenue	241,679	145,120	46,398	0	433,197
Grants	5,421	0	0	0	5,421
Charges and Fees	44,833	0	0	0	44,833
State Highway Contract	0	0	0	24,276	24,276
Recreation	14,290	0	0	0	14,290
Fines and Forfeitures	319	0	0	0	319
Rents and Royalties	11,589	0	0	0	11,589
Contributions	59,526	0	42,335	0	101,861
Reimbursements	103,794	0	0	0	103,794
Interest	12,348	423	2,853	465	16,089
Transfer from Component Unit	0	0	0	48,000	48,000
Miscellaneous	3,007	0	90	0	3,097
Total Revenue	<u>\$ 992,046</u>	<u>\$ 145,543</u>	<u>\$ 288,548</u>	<u>\$ 72,741</u>	<u>\$ 1,498,878</u>
EXPENDITURES					
General Government	\$ 241,330	\$ 0	\$ 0	\$ 0	\$ 241,330
Public Safety	364,882	0	0	0	364,882
Public Improvements	34,321	0	0	0	34,321
Streets, Highways, and Drains	23,874	91,268	89,761	21,876	226,779
Sanitation	9,334	0	0	0	9,334
Culture and Recreation	60,812	0	0	0	60,812
Fringe Benefits	250,562	0	0	0	250,562
Insurance	11,827	0	0	0	11,827
Promotions	2,805	0	0	0	2,805
Debt Service					
Principal	0	0	0	55,000	55,000
Interest	0	0	0	41,305	41,305
Total Expenditures	<u>\$ 999,747</u>	<u>\$ 91,268</u>	<u>\$ 89,761</u>	<u>\$ 118,181</u>	<u>\$ 1,298,957</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (7,701)</u>	<u>\$ 54,275</u>	<u>\$ 198,787</u>	<u>\$ (45,440)</u>	<u>\$ 199,921</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 57,000	\$ 0	\$ 0	\$ 49,800	\$ 106,800
Operating Transfers Out	(21,000)	(56,300)	(6,500)	0	(83,800)
Total Other Financing Sources (Uses)	<u>\$ 36,000</u>	<u>\$ (56,300)</u>	<u>\$ (6,500)</u>	<u>\$ 49,800</u>	<u>\$ 23,000</u>
NET CHANGE IN FUND BALANCES	\$ 28,299	\$ (2,025)	\$ 192,287	\$ 4,360	\$ 222,921
FUND BALANCES - Beginning	833,325	110,105	365,631	58,301	1,367,362
FUND BALANCES - Ending	<u>\$ 861,624</u>	<u>\$ 108,080</u>	<u>\$ 557,918</u>	<u>\$ 62,661</u>	<u>\$ 1,590,283</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net changes in fund balances - total governmental funds	\$ 222,921
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: Capital outlay	66,797
Deduct: Depreciation expense	(75,299)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Net revenue of the Internal Service Fund of \$88,008 (before depreciation) is reported with governmental activities in the statement of net assets.	88,008
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Deduct: New debt issued	0
Add: Principal payments on long-term debt	55,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add: Decrease in interest payable on long-term liabilities	482
Deduct: Increase in accrual for compensated absences	(17,601)
Change in net assets of governmental activities	<u>\$ 340,308</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	<u>Enterprise Funds</u>		<u>Total</u> <u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
	<u>Water</u>	<u>Sewer</u>		
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 42,585	\$ 49,932	\$ 92,517	\$ 56,898
Investments	226,075	578,801	804,876	425,927
Accounts Receivable	246	5,175	5,421	571
Due from Other Funds	0	0	0	11,532
Inventory	1,822	2,910	4,732	0
Prepaid Expense	<u>2,041</u>	<u>1,747</u>	<u>3,788</u>	<u>642</u>
Total Current Assets	<u>\$ 272,769</u>	<u>\$ 638,565</u>	<u>\$ 911,334</u>	<u>\$ 495,570</u>
Restricted Assets				
Bond Interest and Redemption Accounts	\$ 22,110	\$ 95,119	\$ 117,229	\$ 0
Bond Reserve Accounts	40,037	59,831	99,868	0
Replacement Accounts	<u>21,389</u>	<u>16,172</u>	<u>37,561</u>	<u>0</u>
Total Restricted Assets	<u>\$ 83,536</u>	<u>\$ 171,122</u>	<u>\$ 254,658</u>	<u>\$ 0</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 3,458,464	\$ 3,460,525	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	<u>2,025,365</u>	<u>1,553,560</u>	<u>3,578,925</u>	<u>213,539</u>
Total Noncurrent Assets	<u>\$ 2,027,426</u>	<u>\$ 5,012,024</u>	<u>\$ 7,039,450</u>	<u>\$ 213,539</u>
Total Assets	<u>\$ 2,383,731</u>	<u>\$ 5,821,711</u>	<u>\$ 8,205,442</u>	<u>\$ 709,109</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 2,670	\$ 379,763	\$ 382,433	\$ 726
Accrued Payroll	1,985	3,416	5,401	144
Due to Other Funds	10,589	3,402	13,991	1,555
Customer Deposits	<u>600</u>	<u>600</u>	<u>1,200</u>	<u>0</u>
Total Current Liabilities	<u>\$ 15,844</u>	<u>\$ 387,181</u>	<u>\$ 403,025</u>	<u>\$ 2,425</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 17,178	\$ 7,500	\$ 24,678	\$ 0
Revenue Bonds - Current	20,000	15,000	35,000	0
Contract Payable - Current	<u>35,000</u>	<u>0</u>	<u>35,000</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 72,178</u>	<u>\$ 22,500</u>	<u>\$ 94,678</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 1,185,000	\$ 0	\$ 1,185,000	\$ 0
Less: Bond Discount	(11,040)	0	(11,040)	0
Revenue Bonds Payable	229,000	3,017,000	3,246,000	0
Compensated Absences	<u>4,744</u>	<u>21,848</u>	<u>26,592</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 1,407,704</u>	<u>\$ 3,038,848</u>	<u>\$ 4,446,552</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,495,726</u>	<u>\$ 3,448,529</u>	<u>\$ 4,944,255</u>	<u>\$ 0</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 569,466	\$ 1,980,024	\$ 2,549,490	\$ 213,539
Restricted for Bond Reserve	40,037	59,831	99,868	0
Restricted for Replacement	21,389	16,172	37,561	0
Unrestricted	<u>257,113</u>	<u>317,155</u>	<u>574,268</u>	<u>493,145</u>
Total Net Assets	<u>\$ 888,005</u>	<u>\$ 2,373,182</u>	<u>\$ 3,261,187</u>	<u>\$ 706,684</u>
Total Liabilities and Net Assets	<u>\$ 2,383,731</u>	<u>\$ 5,821,711</u>	<u>\$ 8,205,442</u>	<u>\$ 709,109</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
OPERATING REVENUE				
Sales	\$ 277,762	\$ 600,057	\$ 877,819	\$ 0
Connections Fees	1,250	1,000	2,250	0
Rental	23,716	0	23,716	98,395
Other	15,766	18,655	34,421	26,688
Total Operating Revenue	<u>\$ 318,494</u>	<u>\$ 619,712</u>	<u>\$ 938,206</u>	<u>\$ 125,083</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 300,158	\$ 300,158	\$ 0
Water Plant Operation	53,289	0	53,289	0
Distribution Expenses	104,957	0	104,957	0
Depreciation	77,549	108,619	186,168	30,879
Motor Vehicle Expense	0	0	0	67,041
Total Operating Expenses	<u>\$ 235,795</u>	<u>\$ 408,777</u>	<u>\$ 644,572</u>	<u>\$ 97,920</u>
OPERATING INCOME (LOSS)	<u>\$ 82,699</u>	<u>\$ 210,935</u>	<u>\$ 293,634</u>	<u>\$ 27,163</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 2,978	\$ 3,176	\$ 6,154	\$ 3,966
Interest Expense	(80,507)	(20,214)	(100,721)	0
Total Non-operating Revenue (Expense)	<u>\$ (77,529)</u>	<u>\$ (17,038)</u>	<u>\$ (94,567)</u>	<u>\$ 3,966</u>
Income (Loss) Before Contributions and Transfers	\$ 5,170	\$ 193,897	\$ 199,067	\$ 31,129
Contributions from Component Units	61,905	0	61,905	0
Transfers From Other Funds	0	0	0	26,000
Transfers To Other Funds	(24,000)	(25,000)	(49,000)	0
CHANGE IN NET ASSETS	\$ 43,075	\$ 168,897	\$ 211,972	\$ 57,129
NET ASSETS - Beginning	<u>844,930</u>	<u>2,204,285</u>	<u>3,049,215</u>	<u>649,555</u>
NET ASSETS - Ending	<u>\$ 888,005</u>	<u>\$ 2,373,182</u>	<u>\$ 3,261,187</u>	<u>\$ 706,684</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Water	Sewer	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 349,431	\$ 675,596	\$ 1,025,027	\$ 124,840
Cash payments to suppliers for goods and services	(85,071)	(208,970)	(294,041)	(43,517)
Cash payments to employees and professional contractors for services	(72,275)	(121,019)	(193,294)	(28,343)
Other operating revenue	<u>15,766</u>	<u>18,655</u>	<u>34,421</u>	<u>687</u>
Net cash provided (used) by operating activities	<u>\$ 207,851</u>	<u>\$ 364,262</u>	<u>\$ 572,113</u>	<u>\$ 53,667</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 61,905	\$ 0	\$ 61,905	\$ 0
Transfers from other funds	0	0	0	26,000
Transfers to other funds	<u>(24,000)</u>	<u>(25,000)</u>	<u>(49,000)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 37,905</u>	<u>\$ (25,000)</u>	<u>\$ 12,905</u>	<u>\$ 26,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (45,690)	\$(2,732,777)	\$(2,778,467)	\$ 0
Principal paid on bonds	(55,000)	(17,000)	(72,000)	0
Interest paid on bonds	(79,687)	(20,214)	(99,901)	0
Bond proceeds	<u>0</u>	<u>2,732,000</u>	<u>2,732,000</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (180,377)</u>	<u>\$ (37,991)</u>	<u>\$ (218,368)</u>	<u>\$ 0</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 2,978</u>	<u>\$ 3,176</u>	<u>\$ 6,154</u>	<u>\$ 3,966</u>
Net cash provided (used) by investment activities	<u>\$ 2,978</u>	<u>\$ 3,176</u>	<u>\$ 6,154</u>	<u>\$ 3,966</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 68,357</u>	<u>\$ 304,447</u>	<u>\$ 372,804</u>	<u>\$ 83,633</u>
CASH AND CASH EQUIVALENTS - Beginning	<u>283,839</u>	<u>495,408</u>	<u>779,247</u>	<u>399,192</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 352,196</u></u>	<u><u>\$ 799,855</u></u>	<u><u>\$ 1,152,051</u></u>	<u><u>\$ 482,825</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 82,699	\$ 210,935	\$ 293,634	\$ 1,163
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	77,549	108,619	186,168	30,879
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	46,703	74,539	121,242	445
(Increase) decrease in due from other funds	0	(100)	(100)	(5,149)
(Increase) decrease in bond discount	100	0	100	0
(Increase) decrease in inventories	(578)	(1,127)	(1,705)	0
(Increase) decrease in prepaid expense	(1,365)	(46)	(1,411)	57
Increase (decrease) in accounts payable	(1,568)	(27,946)	(29,514)	(160)
Increase (decrease) in wages and benefits payable	1,417	596	2,013	63
Increase (decrease) in due to other funds	4,920	(863)	4,057	369
Increase (decrease) in liabilities payable from restricted assets	(769)	(375)	(1,144)	0
Increase (decrease) in compensated absences	<u>(1,257)</u>	<u>30</u>	<u>(1,227)</u>	<u>0</u>
Total adjustments	<u>\$ 125,152</u>	<u>\$ 153,327</u>	<u>\$ 278,479</u>	<u>\$ 26,504</u>
Net cash provided (used) by operating activities	<u><u>\$ 207,851</u></u>	<u><u>\$ 364,262</u></u>	<u><u>\$ 572,113</u></u>	<u><u>\$ 27,667</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2004

ASSETS

Cash

\$ 612

LIABILITIES

Payroll deductions withheld

\$ 612

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2004

	DDA	LDEA	Total Component Units
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,769	\$ 3,619	\$ 6,388
Investments	235,246	271,501	506,747
Accounts Receivable	20	592	612
Taxes Receivable	62,257	85,338	147,595
Prepaid Expense	<u>23</u>	<u>0</u>	<u>23</u>
Total Current Assets	\$ 300,315	\$ 361,050	\$ 661,365
Noncurrent Assets			
Capital Assets			
Land	<u>0</u>	<u>107,200</u>	<u>107,200</u>
Total Assets	<u>\$ 300,315</u>	<u>\$ 468,250</u>	<u>\$ 768,565</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ <u>641</u>	\$ <u>34,800</u>	\$ <u>35,441</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 107,200	\$ 107,200
Unrestricted	<u>299,674</u>	<u>326,250</u>	<u>625,924</u>
Total Net Assets	<u>\$ 299,674</u>	<u>\$ 433,450</u>	<u>\$ 733,124</u>
Total Liabilities and Net Assets	<u>\$ 300,315</u>	<u>\$ 468,250</u>	<u>\$ 768,565</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2004

	DDA	LDFA	Total Component Units
EXPENSES			
Downtown Development	\$ 106,455	\$ 0	\$ 106,455
Industrial Development	<u>0</u>	<u>181,624</u>	<u>181,624</u>
Total Expenses	\$ 106,455	\$ 181,624	\$ 288,079
PROGRAM REVENUE			
Charges for Services	<u>0</u>	<u>0</u>	<u>0</u>
NET (EXPENSE) REVENUE	<u>\$(106,455)</u>	<u>\$(181,624)</u>	<u>\$(288,079)</u>
GENERAL REVENUE			
Property Tax	\$ 203,669	\$ 279,174	\$ 482,843
Land Rent	0	6,000	6,000
Investment Income	1,149	1,160	2,309
Other Income	<u>0</u>	<u>25</u>	<u>25</u>
Total General Revenue	<u>\$ 204,818</u>	<u>\$ 286,359</u>	<u>\$ 491,177</u>
CHANGE IN NET ASSETS	\$ 98,363	\$ 104,735	\$ 203,098
NET ASSETS - Beginning	<u>201,311</u>	<u>328,715</u>	<u>530,026</u>
NET ASSETS - Ending	<u>\$ 299,674</u>	<u>\$ 433,450</u>	<u>\$ 733,124</u>

See Note 1 for descriptions of component units shown in column headings

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,337 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. As required by generally accepted accounting principles, these financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village (as distinct from legal relationships).

The following component units are reported in the Village's financial statements:

- The Local Development Finance Authority (LDFA) was created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to work towards the elimination of the causes of unemployment, underemployment and joblessness, and to promote economic growth in the Village of Jonesville.
- The Downtown Development Authority (DDA) was created under Public Act 197 of 1975 of the State of Michigan. The DDA's purpose is to eliminate the causes of deterioration of property values in the business district of the Village and to promote economic growth.

The Village appoints the majority of the Boards of Directors of the LDFA and DDA. The budget of both entities require the Village's approval, and their main revenue source (tax increment financing) is a financial burden to the Village.

The accounting policies of Village of Jonesville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*.

Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including fixed assets (buildings, equipment, vehicles, etc.) and infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on major funds.

The Village has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by Village of Jonesville:

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by property taxes and Village general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary fund and component unit financial statements also report using this same focus and basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets and Local Streets).

The Village reports the following major enterprise funds:

Water Utilities Fund - accounts for the operating activities of the Village's water utilities services.

Sewer Utilities Fund - accounts for the operating activities of the Village's sewer utilities services.

Additionally, the Village reports the following fund types:

Debt Retirement Fund - used to account for the accumulation of resources for and the payment of principal and interest on the Village's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the Village on a cost-reimbursement basis (i.e. equipment and vehicle usage). This is a proprietary fund reported with governmental activities in the government-wide statements.

Agency Fund - accounts for fiduciary assets held by the Village in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. During the fiscal year ended June 30, 2004, investments were limited to an automated Government Money Trust at a local bank. Investments in this account are stated at cost which equals market value.

Inventories - inventories are stated at cost, which approximates market, using the first-in/first-out method.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. The Village has opted to delay retroactive infrastructure reporting as allowed by GASB 34.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles	5 years

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Manager. Such transfers appropriations must be approved by the Village Council at its next regularly scheduled meeting.
- 5) The Village Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following are the components of the Village's bank deposits at June 30, 2004:

Cash on hand	\$ 450
Checking and savings accounts	358,729
Certificates of Deposit	186,881
Money Market accounts	<u>3,143,991</u>
	<u>\$ 3,690,051</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2004, the carrying amount of the Village's deposits was \$3,690,051 and the bank balance was \$3,675,807. Of the bank balance, \$257,325 was covered by federal depository insurance and \$3,418,482 was uninsured.

The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterpart's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or its trust department or agent but not in the Village's name. The Money Market accounts are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2004, the Village's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, consist of State revenue sharing, State highway contract revenue, utility and other receivables. All receivables are considered collectible in full due to the ability to lien for the nonpayment of utility bills and the stable condition of State programs.

A summary of the principal items of receivables follows:

	General	Major	Local	Other	Proprietary	
	<u>Fund</u>	<u>Street</u>	<u>Street</u>	<u>Funds</u>	<u>Funds</u>	<u>Total</u>
State Revenue Sharing	\$ 81,908	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,908
State Highway Contract	0	23,724	7,563	6,702	0	37,989
Utility customers	0	0	0	0	5,321	5,321
Other Receivables	<u>541</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>541</u>
Total	<u>\$ 82,449</u>	<u>\$ 23,724</u>	<u>\$ 7,563</u>	<u>\$ 6,702</u>	<u>\$ 5,321</u>	<u>\$125,759</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 9,689	\$ 8,000	\$ 0	\$ 17,689
Capital assets being depreciated				
Land Improvements	\$ 23,992	\$ 20,268	\$ 0	\$ 44,260
Buildings & Improvements	527,444	28,375	0	555,819
Furniture & Equipment	273,842	10,154	0	283,996
Vehicles	734,141	0	0	734,141
Less accumulated depreciation	<u>(786,813)</u>	<u>(75,299)</u>	<u>0</u>	<u>(862,112)</u>
Total capital assets				
being depreciated, net	\$ 772,606	\$ (16,502)	\$ 0	\$ 756,104
Governmental Activities				
Total capital assets, net	\$ 782,295	\$ (8,502)	\$ 0	\$ 773,793
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Construction in Progress	<u>382,050</u>	<u>3,082,414</u>	<u>(6,000)</u>	<u>3,458,464</u>
Total capital assets not				
being depreciated	\$ 384,111	\$ 3,082,414	\$ (6,000)	\$ 3,460,525
Capital assets being depreciated				
Facilities & Mains	\$ 5,708,328	\$ 0	\$ 0	\$ 5,708,328
Machinery & Equipment	1,294,183	53,320	0	1,347,503
Less accumulated depreciation	<u>(3,290,738)</u>	<u>(186,168)</u>	<u>0</u>	<u>(3,476,906)</u>
Total capital assets				
being depreciated, net	\$ 3,711,773	\$ (132,848)	\$ 0	\$ 3,578,925
Business-Type Activities				
Total capital assets, net	\$ 4,095,884	\$ 2,949,566	\$ (6,000)	\$ 7,039,450
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$ 4,878,179</u>	<u>\$ 2,941,064</u>	<u>\$ (6,000)</u>	<u>\$ 7,813,243</u>
COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 107,200	\$ 0	\$ 0	\$ 107,200
COMPONENT UNITS				
Total capital assets, net	<u>\$ 107,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,200</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2004, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 658	Major Streets	\$ 658
	2,101	Local Streets	2,101
	2,169	State Highway	2,169
	3,394	Sewer Fund	3,394
	5,234	Water Fund	5,234
	1,555	Motor Vehicle Pool	1,555
	10	Tax Fund	10
	827	Trust and Agency	827
	2,763	Imprest Payroll	2,763
Motor Vehicle Pool	1,666	General Fund	1,666
	1,141	Major Streets	1,141
	2,060	Local Streets	2,060
	1,302	State Highway	1,302
	8	Sewer Fund	8
	5,355	Water Fund	5,355
Imprest Payroll	448	State Highway	448
	<u>\$30,691</u>		<u>\$30,691</u>

Interfund transfers during the year consisted of the following:

	<u>Transfer From</u>				
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water and Sewer</u>	<u>Total</u>
Transfer to:					
General Fund	\$ 0	\$ 6,500	\$ 6,500	\$ 44,000	\$ 57,000
Debt Service	0	49,800	0	0	49,800
Motor Vehicle Pool	<u>21,000</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>26,000</u>
Total	<u>\$ 21,000</u>	<u>\$ 56,300</u>	<u>\$ 6,500</u>	<u>\$ 49,000</u>	<u>\$132,800</u>

Transfers are used to (1) account for overhead services provided by the general fund to other funds, (2) move revenues from the fund that statute requires to collect them to the fund that budget requires to expend them, and (3) to provide for future acquisition of assets.

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Downtown Development Bonds - During the year 1999-2000, the Village issued bonds in the amount of \$450,000 for streetscape improvements in the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Michigan Transportation Fund Bonds - During the year 1997-98, the Village issued bonds in the amount of \$550,000 for Major Street Fund Projects on Wright Street and South Street.

Revenue Bonds - The Village has three bond issues with GMAC Commercial Mortgage Corp. which funded water and sewer projects. These are revenue bond issues, whereby revenue derived from the utility systems is used to pay the debt service.

USDA Loan - The Village is in the process of constructing a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office.

County Contract - During the year 1995-96, the Village entered into an agreement with the Hillsdale County Board of Public Works to issue \$1,360,000 in bonds for Water Supply System and other improvements.

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 425,000	\$ 0	\$ 25,000	\$ 400,000
Michigan Transportation Fund Bonds	415,000	0	30,000	385,000
Compensated Absences	<u>88,829</u>	<u>17,601</u>	<u>0</u>	<u>106,430</u>
Total Governmental Activities	<u>\$ 928,829</u>	<u>\$ 17,601</u>	<u>\$ 55,000</u>	<u>\$ 891,430</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 315,000	\$ 0	\$ 15,000	\$ 300,000
USDA Loan - Sewer Fund	0	2,732,000	0	2,732,000
Revenue Bonds - Water Fund	269,000	0	20,000	249,000
County Contract - Water Fund	1,255,000	0	35,000	1,220,000
Compensated Absences	<u>27,819</u>	<u>0</u>	<u>1,227</u>	<u>26,592</u>
Total Business-type Activities	<u>\$1,866,819</u>	<u>\$2,732,000</u>	<u>71,227</u>	<u>\$4,527,592</u>
Total Primary Government Long-Term Debt	<u>\$2,795,648</u>	<u>\$2,749,601</u>	<u>\$ 126,227</u>	<u>\$5,419,022</u>

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	Interest Rate(s)	Maturity Date	Current Portion
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 30,000
Michigan Transportation Fund Bonds	4.30 - 5.15%	11/1/12	35,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	15,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/44	0
Revenue Bonds - Water Fund - Project #1	5.00%	1/1/12	10,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	10,000
County Contract	4.30% - 5.70%	11/1/15	<u>35,000</u>
			<u>\$ 135,000</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 65,000	\$ 38,281	\$ 70,000	\$ 92,339
2006	65,000	35,156	70,000	88,909
2007	70,000	32,026	75,000	85,435
2008	75,000	28,438	115,000	81,775
2009	80,000	24,740	145,000	74,140
2010-2014	430,000	57,298	894,000	233,621
2015-2019	<u>0</u>	<u>0</u>	<u>400,000</u>	<u>29,481</u>
Total	<u>\$ 785,000</u>	<u>\$ 215,939</u>	<u>\$1,769,000</u>	<u>\$ 685,700</u>

NOTE 8 - COMPENSATED ABSENCES

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the Village can accumulate vacation pay up to a maximum of 16 to 39 days depending on years of service, and employees have a vested right of 100% of allowable accumulated vacation pay upon termination. Accumulated sick time is vested based on years of service and the vested amount is payable upon termination.

NOTE 9 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2003 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2003 total state taxable value was approximately \$57,293,000 (not including industrial facilities tax valuations). Village properties are assessed as of December 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

The Village of Jonesville provides pension benefits for all of its full-time employees through a defined contribution money purchase plan administered by the International City Managers Association Retirement Corporation (ICMA-RC). All full-time employees are eligible to participate in the plan after 6 months of full-time service. Participants are vested incrementally, with full vesting after four years of continuous full-time service. The Village is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the Village contributes an additional 2 percent. The activity in the plan for 2003-04 is as follows:

Asset Value - July 1, 2003	\$ 505,372
Employer Contributions	41,651
Employee Contributions	36,273
Investment Gain (Loss)	60,786
Distributions	(18,456)
Service Fees	<u>0</u>
Asset Value - June 30, 2004	<u>\$ 625,626</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 - SEGMENT INFORMATION

The Village issues separate revenue bonds to finance its water and sewer departments. The fund financial statements report major funds with revenue - supported debt for the water and sewer funds. Services provided by these funds are described in Note 1.

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

NOTE 13 - UNEMPLOYMENT TAXES

The Village is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

NOTE 14 - COMMITMENTS

At its June 16, 2004, meeting the Village Council approved the purchase of a new fire truck in the amount of \$207,606, to be delivered and paid for in the 2004-05 fiscal year.

The Village is working towards the completion of a new wastewater treatment plant with the capacity to handle current needs and future growth. The total cost of the project is estimated to be \$7,229,000. The project is being financed through a \$4,065,000 loan (40 years, 4.5% interest) and a \$2,800,000 grant from the United States Department of Agriculture, along with \$364,000 of local funds. As of June 30, 2004, total expenditures on the project totaled \$3,458,464. Construction is expected to be completed by July, 2005.

NOTE 15 - RESTATEMENTS

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 15 - RESTATEMENTS (continued)

As a result of implementing these pronouncements for the year ended June 30, 2004, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances of General, Special Revenue, Debt Retirement, and Capital Projects Funds as of June 30, 2003	\$ 1,367,362
Add: governmental capital assets, including land and buildings as of June 30, 2003	1,569,108
Deduct: accumulated depreciation as of June 30, 2003, on the above governmental assets	(786,813)
Add: Internal Service Fund assets as of June 30, 2003	407,290
Deduct: Internal Service Fund liabilities as of June 30, 2003	(2,153)
Deduct: general obligations bonds payable as of June 30, 2003	(840,000)
Deduct: general compensated absences payable as of June 30, 2003	(88,829)
Deduct: interest payable on general obligation bonds as of June 30, 2003	<u>(6,995)</u>
Governmental net assets, restated, as of July 1, 2003	<u>\$1,618,970</u>

SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 441,575	\$ 441,575	\$ 492,695	\$ 51,120
Licenses and Permits	2,000	2,000	2,545	545
State Shared Revenue	271,445	271,445	241,679	(29,766)
Grants	0	29,000	5,421	(23,579)
Charges and Fees	57,200	57,200	44,833	(12,367)
Recreation	11,300	11,300	14,290	2,990
Fines and Forfeitures	450	450	319	(131)
Rents and Royalties	11,000	11,000	11,589	589
Contributions	105,940	105,940	116,526	10,586
Reimbursements	89,400	89,400	103,794	14,394
Interest	17,000	17,000	12,348	(4,652)
Miscellaneous	300	300	3,007	2,707
Total Revenue	<u>\$ 1,007,610</u>	<u>\$ 1,036,610</u>	<u>\$ 1,049,046</u>	<u>\$ 12,436</u>
EXPENDITURES				
General Government	\$ 251,700	\$ 256,350	\$ 241,330	\$ (15,020)
Public Safety	379,170	405,520	364,882	(40,638)
Public Improvements	28,870	35,245	34,321	(924)
Streets, Highways, and Drains	25,100	25,100	23,874	(1,226)
Sanitation	14,700	14,700	9,334	(5,366)
Culture and Recreation	33,200	62,700	60,812	(1,888)
Fringe Benefits	250,950	259,088	250,562	(8,526)
Insurance	13,000	13,500	11,827	(1,673)
Promotions	2,900	4,400	2,805	(1,595)
Total Expenditures	<u>\$ 999,590</u>	<u>\$ 1,076,603</u>	<u>\$ 999,747</u>	<u>\$ (76,856)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 8,020</u>	<u>\$ (39,993)</u>	<u>\$ 49,299</u>	<u>\$ 89,292</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(15,300)	(15,300)	(21,000)	(5,700)
Total Other Financing Sources (Uses)	<u>\$ (15,300)</u>	<u>\$ (55,293)</u>	<u>\$ (21,000)</u>	<u>\$ (5,700)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (7,280)</u>	<u>\$ (55,293)</u>	<u>\$ 28,299</u>	<u>\$ 83,592</u>
FUND BALANCES - Beginning	<u>833,325</u>	<u>833,325</u>	<u>833,325</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 826,045</u>	<u>\$ 778,032</u>	<u>\$ 861,624</u>	<u>\$ 83,592</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
State Shared Revenue	\$ 134,750	\$ 139,750	\$ 145,120	\$ 5,370
Grant Revenue	300,000	0	0	0
Interest	<u>1,200</u>	<u>1,200</u>	<u>423</u>	<u>(777)</u>
Total Revenue	<u>\$ 435,950</u>	<u>\$ 140,950</u>	<u>\$ 145,543</u>	<u>\$ 4,593</u>
EXPENDITURES				
Street Construction	\$ 441,800	\$ 66,800	\$ 16,290	\$ (50,510)
Routine Maintenance	79,850	79,850	55,652	(24,198)
Traffic Control	6,520	8,270	6,403	(1,867)
Winter Maintenance	18,450	18,450	12,875	(5,575)
Administration	<u>6,800</u>	<u>300</u>	<u>48</u>	<u>(252)</u>
Total Expenditures	<u>\$ 553,420</u>	<u>\$ 173,670</u>	<u>\$ 91,268</u>	<u>\$ (82,402)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(117,470)</u>	<u>\$ (32,720)</u>	<u>\$ 54,275</u>	<u>\$ 86,995</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 100,000	\$ 0	\$ 0	\$ 0
Operating Transfers Out	<u>(49,800)</u>	<u>(56,300)</u>	<u>(56,300)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 50,200</u>	<u>\$ (56,300)</u>	<u>\$ (56,300)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	<u>\$ (67,270)</u>	<u>\$ (89,020)</u>	<u>\$ (2,025)</u>	<u>\$ 86,995</u>
FUND BALANCES - Beginning	<u>110,105</u>	<u>110,105</u>	<u>110,105</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 42,835</u></u>	<u><u>\$ 21,085</u></u>	<u><u>\$ 108,080</u></u>	<u><u>\$ 86,995</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property Taxes	\$ 175,500	\$ 175,500	\$ 196,872	\$ 21,372
State Shared Revenue	42,250	42,250	46,398	4,148
Contribution	23,010	23,010	42,335	19,325
Interest	3,000	3,000	2,853	(147)
Miscellaneous	<u>0</u>	<u>0</u>	<u>90</u>	<u>90</u>
Total Revenue	<u>\$ 243,760</u>	<u>\$ 243,760</u>	<u>\$ 288,548</u>	<u>\$ 44,788</u>
EXPENDITURES				
Routine Maintenance	\$ 114,000	\$ 114,000	\$ 77,353	\$ (36,647)
Traffic Control	1,550	2,375	2,039	(336)
Winter Maintenance	14,200	14,200	10,345	(3,855)
Administration	<u>4,770</u>	<u>600</u>	<u>24</u>	<u>(576)</u>
Total Expenditures	<u>\$ 134,520</u>	<u>\$ 131,175</u>	<u>\$ 89,761</u>	<u>\$ (41,414)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 109,240</u>	<u>\$ 112,585</u>	<u>\$ 198,787</u>	<u>\$ 86,202</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers Out	<u>(106,500)</u>	<u>(306,000)</u>	<u>(6,500)</u>	<u>(299,500)</u>
Total Other Financing Sources (Uses)	<u>\$(106,500)</u>	<u>\$(306,000)</u>	<u>\$ (6,500)</u>	<u>\$(299,500)</u>
NET CHANGE IN FUND BALANCES	\$ 2,740	\$(193,415)	\$ 192,287	\$ 385,702
FUND BALANCES - Beginning	<u>365,631</u>	<u>365,631</u>	<u>365,631</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 368,371</u>	<u>\$ 172,216</u>	<u>\$ 557,918</u>	<u>\$ 385,702</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue State Highway Fund	Debt Retirement Debt Service Fund	Total
ASSETS			
Cash	\$ 556	\$ 28,753	\$ 29,309
Investments	0	31,493	31,493
Accounts Receivable	0	5	5
Due from Other Governmental Units	<u>6,702</u>	<u>0</u>	<u>6,702</u>
Total Assets	<u>\$ 7,258</u>	<u>\$ 60,251</u>	<u>\$ 67,509</u>
LIABILITIES			
Accounts Payable	\$ 929	\$ 0	\$ 929
Due to Other Funds	<u>3,919</u>	<u>0</u>	<u>3,919</u>
Total Liabilities	<u>\$ 4,848</u>	<u>\$ 0</u>	<u>\$ 4,848</u>
FUND BALANCE			
Reserved for Debt Retirement	\$ 0	\$ 60,251	\$ 60,251
Unreserved/Undesignated	<u>2,410</u>	<u>0</u>	<u>2,410</u>
Total Fund Balances	<u>\$ 2,410</u>	<u>\$ 60,251</u>	<u>\$ 62,661</u>
Total Liabilities and Fund Balances	<u>\$ 7,258</u>	<u>\$ 60,251</u>	<u>\$ 67,509</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue State Highway Fund	Debt Retirement Debt Service Fund	Total
REVENUE			
State Highway Contract	\$ 24,276	\$ 0	\$ 24,276
Transfer from Component Unit	0	48,000	48,000
Interest Income	<u>2</u>	<u>463</u>	<u>465</u>
Total Revenue	<u>\$ 24,278</u>	<u>\$ 48,463</u>	<u>\$ 72,741</u>
EXPENDITURES			
Routine Maintenance	\$ 11,383	\$ 0	\$ 11,383
Traffic Control	2,023	0	2,023
Winter Maintenance	8,470	0	8,470
Debt Service	0	55,000	55,000
Principal	<u>0</u>	<u>41,305</u>	<u>41,305</u>
Interest			
Total Expenditures	<u>\$ 21,876</u>	<u>\$ 96,305</u>	<u>\$ 118,181</u>
Excess of Revenue Over (Under) Expenditures	\$ 2,402	\$ (47,842)	\$ (45,440)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>0</u>	<u>49,800</u>	<u>49,800</u>
NET CHANGES IN FUND BALANCES	\$ 2,402	\$ 1,958	\$ 4,360
FUND BALANCES - Beginning	<u>8</u>	<u>58,293</u>	<u>58,301</u>
FUND BALANCES - Ending	<u>\$ 2,410</u>	<u>\$ 60,251</u>	<u>\$ 62,661</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor or Pass-Through <u>Agency Program Title</u>	<u>CFDA #</u>	Receipts/ Revenue <u>Recognized</u>	Disbursements <u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Waste and Waste Disposal Systems for Rural Communities	10.760	\$ 2,732,000	\$ 3,082,414

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Jonesville as of and for the year ended June 30, 2004, which collectively comprise Village of Jonesville's basic financial statements and have issued our report thereon dated November 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Jonesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
November 19, 2004

Bailey, Hodshire
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Village Council
Village of Jonesville
Jonesville, Michigan

Compliance

We have audited the compliance of the Village of Jonesville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Village of Jonesville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Jonesville's management. Our responsibility is to express an opinion on the Village of Jonesville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Jonesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Jonesville's compliance with those requirements.

In our opinion, the Village of Jonesville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Village of Jonesville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Jonesville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Village Council
Village of Jonesville

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey Hodshire & Company PC
Jonesville, Michigan
November 19, 2004

VILLAGE OF JONESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Village of Jonesville.
2. No reportable conditions were disclosed during the audit of the financial statements of the Village of Jonesville.
3. No instances of noncompliance material to the financial statements of the Village of Jonesville were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Village of Jonesville expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Village of Jonesville that are required to be reported in accordance with Circular A-133.
7. The programs tested as major programs included: Waste and Waste Disposal Systems for Rural Communities #10.760.
8. The threshold for distinguishing Types A and B programs was \$300,000
9. The Village of Jonesville was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

FINDINGS AND QUESTIONS COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

VILLAGE OF JONESVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Not applicable - no Single Audit for the prior year.